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March 20, 2015

IDAHO PUBLIC
UTILITIES COMMISSION

***VIA ELECTRONIC FILING
AND OVERNIGHT DELIVERY***

Jean D. Jewell
Commission Secretary
Idaho Public Utilities Commission
472 W. Washington
Boise, ID 83702

**Re: Case No. PAC-E-15-01
IN THE MATTER OF THE APPLICATION OF ROCKY MOUNTAIN POWER
FOR AUTHORITY TO INCREASE RATES BY \$10.7 MILLION TO RECOVER
DEFERRED NET POWER COSTS THROUGH THE ENERGY COST
ADJUSTMENT MECHANISM**

Dear Ms. Jewell:

Please find for filing Rocky Mountain Power's reply comments in the above referenced matter. The Company has also shipped for overnight delivery a CD with the original and seven copies of its reply comments and supporting work papers.

Informal inquiries may be directed to Ted Weston, Idaho Regulatory Manager at (801) 220-2963.

Very truly yours,

Jeffrey K. Larsen
Vice President, Regulation

Enclosures

Cc: Service List

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Attorneys for Rocky Mountain Power

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	CASE NO. PAC-E-15-01
OF ROCKY MOUNTAIN POWER FOR)	
AUTHORITY TO INCREASE RATES BY)	REPLY COMMENTS OF
\$10.7 MILLION TO RECOVER)	ROCKY MOUNTAIN POWER
DEFERRED NET POWER COSTS)	
THROUGH THE ENERGY COST)	
ADJUSTMENT MECHANISM)	

COMES NOW PacifiCorp, dba Rocky Mountain Power ("RMP" or the "Company"), and, pursuant to Rules 56 and 256 of the rules of Procedure of the Idaho Public Utilities Commission (the "Commission"), hereby submits reply comments in the above referenced case.

BACKGROUND

On February 2, 2015 the Company filed an application ("Application") with the Commission pursuant to the Company's approved energy cost adjustment mechanism ("ECAM") for approval of approximately \$16.6 million deferred net power costs from the deferral period beginning December 1, 2013 through November 30, 2014 ("Deferral Period"). The Company also requested for authority to adjust its Schedule 94, ECAM rate by \$10.7 million.

The requested \$16.6 million increase in the ECAM balancing account for the Deferral Period results in a total ECAM balance of approximately \$27.0 million as of November 30, 2014. The Company proposed to adjust Schedule 94 to collect approximately \$23.3 million over the period beginning April 1, 2015 through March 31, 2016, representing an increase of \$10.7 million over the current Schedule 94 rate.

On March 13, 2015, Monsanto filed comments solely focused the on rate design in the Application.

Commission Staff ("Staff") also filed comments on March 13, 2015 proposing one adjustment to the Company's calculation of the back cast adjustment related to the Load Change Adjustment Rate ("LCAR"). Staff also proposed changes to the structure of the ECAM calculation that, if adopted, it contends would eliminate the need for a back cast adjustment.

REPLY COMMENTS

Rate Design

The Company adopts Monsanto's proposal of an equal monthly payment and proposes that it be applied for the collection of the prior period balances for both Tariff Contract customers. Using this approach, the monthly payment for Tariff Contract 400 will be \$518,361 per month in order to pay down its prior period balance of \$6,189,351, including interest during the amortization period, to approximately \$0 by the end of March 2016. The monthly payment for Tariff Contract 401 will be \$38,510 per month in order to pay down its prior period balance of \$459,815, including interest during the amortization period, to approximately \$0 by the end of March 2016. These prior period

balances are updated from the initial filing to reflect actual recoveries through February 2015, as proposed by Monsanto.

In addition to the equal monthly payment for prior period balances, the Tariff Contract customers would be subject to the transmission rate of \$0.00465 per kWh for recovery of the current Deferral Period.

Alternatively, if the Commission is opposed to an equal payment approach for recovery of the prior period balances from Tariff Contract customers, the Company has reviewed and is willing to adopt Staff's rate design proposal, which develops separate energy charges for recovery of the prior period balances.

Load Change Adjustment Rate Back Cast

In its comments, Staff proposed an adjustment to the Company's filing to include a true-up of the LCAR in the back cast adjustment. The back cast adjustment was originally proposed by Staff in the Company's 2014 ECAM filing as a way to ensure (1) total recovery through base rates and (2) that the ECAM did not exceed actual costs incurred during the deferral period. Staff's proposal in the 2014 ECAM included a back cast adjustment for several ECAM components, including: net power costs ("NPC"), demand side management ("DSM") costs, revenue from renewable energy credit ("REC") sales, and the LCAR. In the current case, Staff is proposing an adjustment to the Company's filing because the Company omitted the LCAR from the back cast adjustment. The Company disagrees with Staff's LCAR adjustment based on the fact that the base load used by Staff to calculate the LCAR back cast adjustment is incorrect.

Staff's proposed LCAR back cast adjustment incorrectly uses the load from the base established in Case No. PAC-E-11-12 ("2011 GRC"), and adopting Staff's proposal

would overstates the LCAR in this case. Order No. 32432 in the 2011 GRC established the 2011 actual load reported in the Annual Results of Operations Report as the base for the LCAR calculation beginning in 2013. Paragraph 5 from the same order states that the “LCAR unit value would be frozen over the rate plan period at the current rate of \$5.47 per MWh”.

Table 1 below details the LCAR back cast adjustment as proposed by Staff, and corrected to use the base load from the Annual Results of Operations Report. To calculate the LCAR back cast adjustment, Staff first uses the Commission-approved LCAR rate of \$5.47 per MWh and multiplies it by Idaho base load at input to arrive at the actual Idaho jurisdiction Energy Classified Production Costs (ECPC) minus NPC, or the base LCAR (Line 3). The base LCAR is then divided by the Idaho base load at meter to arrive at the LCAR embedded in rates (Line 6). The ECPC in rates is then multiplied by the Idaho actual load at the meter to arrive at the ECPC collected through rates (Line 8). The LCAR adjustment from the ECAM (line 9) is added to LCAR collected in rates (Line 8) and compared to the base LCAR (line 3) to arrive at the over- or under-collection of the LCAR. (Line 11). The sharing band is then applied to any over- or under-collection of the LCAR to arrive at the LCAR back cast adjustment.

Table 1
LCAR Back Cast Adjustment

		<u>Staff</u>	<u>Corrected</u>
1 LCAR	Order No. 32432	\$ 5.47	\$ 5.47
2 Idaho Base Load MWH @ input		3,685,546	3,691,675
3 Actual Idaho Jurisdictional ECPC minus NPC, Base LCAR (Assume Actual = Base)	Line 1 * Line 2	\$ 20,175,962	\$ 20,193,460
4 ID Base LCAR Embedded in Rates	Line 3	\$ 20,175,962	\$ 20,193,460
5 Annual Idaho Base Load @ meter (MWh)		3,328,058	3,390,565
6 LCAR Embedded in Base Rates (\$/MWh)	= Line 4 / Line 5	\$ 6.062	\$ 5.956
7 ID Actual Load @ meter less Replacement Energy (MWh)		3,474,297	3,474,297
8 Revenue Collected through Base Rates (\$)	= Line 6 * Line 7	\$ 21,062,520	\$ 20,692,148
9 LCAR Adjustment per ECAM (before sharing)	Exhibit 1 Line 17	\$ (619,086)	\$ (619,086)
10 Total Recovery of LCAR	= Line 8 + Line 9	\$ 20,443,434	\$ 20,073,062
11 (Over)/Under Collection before sharing	= Line 3 - Line 10	\$ (267,472)	\$ 120,398
12 (Over)/Under Collection after sharing	= Line 11 * 90%	<u>\$ (240,725)</u>	<u>\$ 108,358</u>
*Lines 2 and 5 reflect the corrected base load using the 2011 Results of Operation			
**The 2011 Results of Operation Actual Load @ Input 3,691,675 was adjusted for line loss to load at meter of 3,390,566			

As can be seen in Table 1, using the correct LCAR base load per Order No. 32432, the ECPC in rates is approximately \$5.96/MWh or \$0.10/MWh less than Staff's calculation, and the corrected LCAR back cast adjustment shows an under-collection of the LCAR of \$108,358. If adopted, Staff's corrected adjustment would result in an increase of \$108,358 to the Company's filing, rather than a reduction of \$240,725 as proposed by Staff.

Additionally, the Company questions whether the back cast calculation can be appropriately applied to the LCAR. The LCAR is not a rate component in the same sense that NPC, DSM costs, or REC revenues are rate components. Rather, the LCAR is separate dollar-per-MWh rate, approved by the Commission that is applied to any changes in load to account for higher or lower collection of non-NPC energy-related production costs (i.e. certain costs of energy production not included in NPC and not

otherwise subject to true-up in the ECAM). In Order No. 32206 from Case No. GNR-E-10-03 the Commission stated “the load growth adjustment portion of the power cost adjustment mechanism removes some costs from PCA [ECAM] recovery when loads grow and adds some costs to PCA [ECAM] recovery when loads decline.” The LCAR was never intended to be trued-up as part of the ECAM as though it was a separate and identifiable component of rates.

Structural Changes to the ECAM

Staff proposes changes to the structure of the ECAM that it contends would eliminate the need for a back cast adjustment. While the Company is in general agreement that the current back cast approach is not a sustainable method for calculating the ECAM, the pending ECAM application before the Commission as filed complies with the current approved method. The Company opposes making changes to the structure of the ECAM in this case. If the ECAM were to be changed the Company believes there are several additional items that should be addressed as part of that process. The Company is considering a separate future application to address modifications to the ECAM.

CONCLUSION

The Company supports Monsanto’s equal monthly payment approach to recover the prior period balances from Tariff Contract customers. Alternatively, if the Commission is opposed to an equal payment approach, the Company has reviewed and agrees with Staff’s rate design proposal.

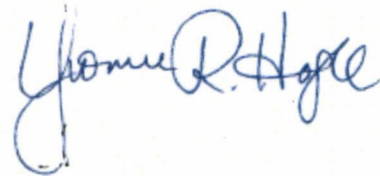
The Company opposes Staff’s LCAR adjustment and proposed modifications to the ECAM. If adopted, Staff’s proposal to include the LCAR in the back cast adjustment

should be corrected to rely on the base load approved in Order No. 32432, which would result in an increase to the Company's filing of \$108,358. Due to the size of the corrected adjustment, the Company has not revised its proposed rates in Electric Schedule 94. If the Commission determined that any of the adjustments were appropriate the impact to the rate design is minimal. Therefore the Company proposes any corrections get recorded to the balancing account where any residual balance would be included in the next annual ECAM filing rate design.

WHEREFORE, Rocky Mountain Power respectfully requests that the Commission approve:

- (1) the Company's deferral of \$16,742,966;
- (2) a fixed monthly payment to recover Agrium and Monsanto's prior years balances; and
- (3) the revised Electric Service Schedule No. 94 effective April 1, 2015.

DATED this 20th day of March, 2015.



R. Jeff Richards
Yvonne R. Hogle

Attorneys for
Rocky Mountain Power

CERTIFICATE OF SERVICE

I hereby certify that on this 20th of March, 2015, I caused to be served, via e-mail and overnight delivery, a true and correct copy of the foregoing document in PAC-E-15-01 to the following:

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